

Other Eligible Existing Indebtedness

**Addendum to Underwriting
Narrative – Other Eligible
Existing Indebtedness**
Section 232 (223(a)7)

**U.S. Department of Housing
and Urban Development**
Office of Healthcare Programs

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Public reporting burden for this collection of information is estimated to average 0.25 hours. This includes the time for collecting, reviewing, and reporting the data. The information is being collected to obtain the supportive documentation which must be submitted to HUD for approval, and is necessary to ensure that viable projects are developed and maintained. The Department will use this information to determine if properties meet HUD requirements with respect to development, operation and/or asset management, as well as ensuring the continued marketability of the properties. Response to this request for information is required in order to receive the benefits to be derived. This agency may not collect this information, and you are not required to complete this form unless it displays a currently valid OMB control number. No confidentiality is assured.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

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This addendum is applicable for Section 223(a)(7) proposals that include refinancing non-FHA-insured loans.

Schedule of Non-FHA-Insured Debt to Refinance

<u>Lender</u>	<u>Pay-off Amount</u>
Total:	\$ 0.00

Key Questions

	<u>Yes</u>	<u>No</u>
1. Is there any debt on this project that has not been approved by HUD?	_____	_____
2. Are any of the non-FHA-insured debts to be paid off less than two-years old?	_____	_____
3. Are any of the non-FHA-insured debts to be paid off less than five-years old AND owed to either (a) your company (the Lender), or (b) any entity related to your company, no matter how slight the identity-of-interest?	_____	_____
4. Does the Mortgagor have any identities of interest with any of the existing lenders?	_____	_____
5. Is any of the existing debt cross-collateralized with other assets or financed with a line of credit?	_____	_____
6. Are delinquent real estate taxes included as an eligible transaction cost?	_____	_____

If you answer “yes” to any of the above questions, please briefly address below.

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<<For each “YES” answer above, provide a narrative discussion regarding the topic>>

General Review

<<Narrative review of debt and pay-off information. The narrative must provide full details of the underwriter’s analysis and determination that the debt is allowable per HUD Guidelines including what it was for, who it is owed to, etc. NOTE- evidence to support the details must be included in the application package and the underwriter must positively state that the evidence has been evaluated and concludes that it meets HUD guidelines for acceptance.>>

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PROGRAM GUIDANCE

Key Question 2 - Two-Year Rule:

Any debt to be refinanced that is less than 24-months old will have to be investigated and must meet the definition of “Eligible Debt” below.

Key Question 3 - Five-Year Rule:

Any debt to be refinanced that is less than five-year old AND is owed to either

1. the underwriting HUD lender; or,
2. any entity related to the HUD lender, no matter how slight the identity-of-interest

will have to be qualified as “Eligible Debt”, meeting the definition below. In this case, only the “eligible” portion of the outstanding balance qualifies.

Example: Thirty months ago, the mortgagor obtained a loan from the HUD lender applying for mortgage insurance. The loan was made to replace the siding. The current balance is \$400,000. The lender can only include the qualified balance as eligible debt. For instance, if the borrower or lender can only provide sufficient documented evidence that clearly demonstrates the cost and content of the expenditures within the appropriate timeframes to qualify \$375,000, the lender may only include \$375,000 balance as eligible debt.

Definition of Eligible Debt:

Existing indebtedness in a refinancing transaction is defined as:

1. Outstanding mortgage(s) incurred in connection with the construction of the project or with capital improvements made to the property as confirmed by the current mortgagee.
2. Other recorded indebtedness such as mechanic's liens and tax liens provided they did not result from personal obligations of the mortgagor.
3. Unrecorded debt directly connected with the project supported by documentation from the mortgagor. If the indebtedness is not recorded, the mortgagor must provide the Lender with documentation which unquestionably indicates that the obligation is directly connected to the project. Examples include:
 - a. Indebtedness incurred in making needed improvements and betterments to the property.
 - b. Indebtedness incurred or advances made to cover operating deficits
4. Other eligible costs associated with paying off the eligible debt. Examples are:
 - a. Reasonable delinquent and accrued interest
 - b. Reasonable prepayment penalties on the mortgage
 - c. Recording, release, and re-conveyance fees
 - d. Documentation or processing fees

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